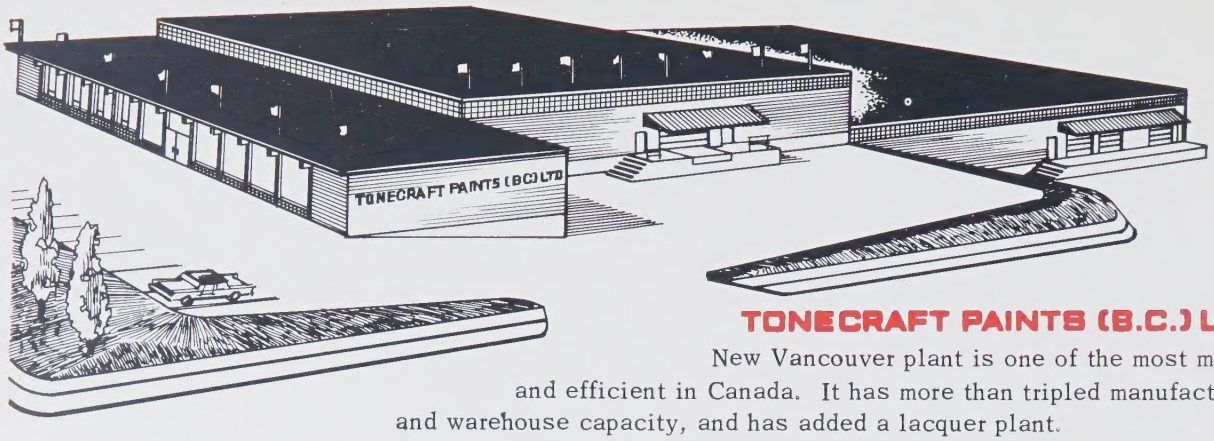
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TONECRAFT PAINTS LTD.

1969 ANNUAL REPORT

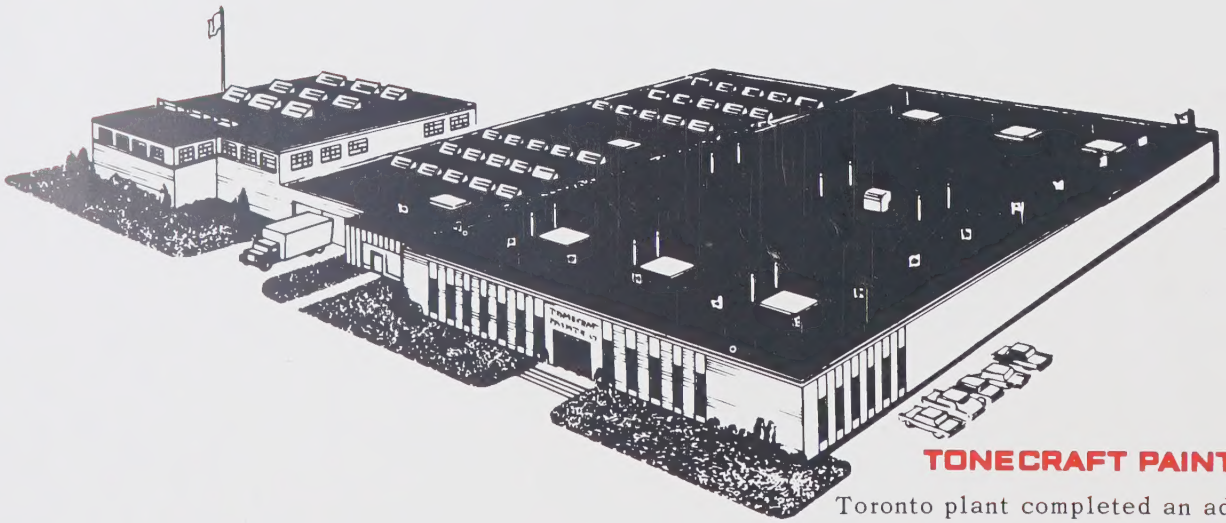


TONECRAFT PAINTS (B.C.) LTD.

New Vancouver plant is one of the most modern and efficient in Canada. It has more than tripled manufacturing and warehouse capacity, and has added a lacquer plant.

TONECRAFT the Paintmakers

Factory locations in Toronto and Vancouver
distribute across Canada



TONECRAFT PAINTS LTD.

Toronto plant completed an addition to warehouse space in January 1968, and has added many new pieces of equipment for increased and accelerated production.

TONECRAFT PAINTS LIMITED

FINANCIAL HIGHLIGHTS

	1969	1968	1967
Sales	$ 9,512,648	$7,495,025	$6,267,152
Working capital	1,554,924	697,610	1,200,395
Net fixed assets	3,049,042	1,632,117	658,219
Earned surplus	2,598,110	2,186,560	1,839,518
Net profit before taxes	1,056,160	888,639	743,993
Net profit after taxes	502,928	434,518	365,100
Dividends on common shares	88,790	80,683	79,823
Earnings per common share	$1.12	$1.05	91¢

TONECRAFT PAINTS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

With immeasurable pride, we are privileged to submit to you the Annual Report of your Company for the fiscal year ending December 31st, 1969.

DECADE OF PROGRESS

Since this Report concludes the calendar decade of the nineteen sixties, we cannot overlook this opportunity to reflect the most splendid performance of your Company in the Canadian scene. During this period of time, the Gross National Product of Canada increased some 78%. By contrast, Tonecraft productivity has increased a little over 700% – nearly ten times the National average.

RETAIL PENETRATION

Of equal significance, our recent entrance into the retail environment is even more spectacular. In a single year, both our penetration of the total Canadian Retail Sales Market, and our own retail sales, exactly doubled.

SALES INCREASE

During 1969, sales of $9,512,648 were recorded, an effective increase of 26.9% over sales recorded in 1968. This very impressive gain was accomplished in a year which saw major construction strikes and slow-downs in general housing development. The importance of these statistics is quite forcibly illustrated in the annual periodicals compiled by the Dominion Bureau of Statistics and the Canadian Paint Manufacturers Association, in which both verify the decrease of trade sales for our general industry of 2.38%. It is obvious then, that the implementation of our sophisticated electronic systems plus the efficiencies we have gained in modern management techniques, have provided maximum benefits in a year in which the competitive trade industry has endured a reduction in sales and profits. At the same time, your Company has increased its operating outlets from 41 to 48 and substantially increased its manufacturing and warehousing facilities.

The industry forecasts with which we are concerned, suggest a recovery for 1970. These are largely based on the increase in construction permit applications, and a modifying interest level encouraging to potential home purchasers.

EARNINGS INCREASED

The net earnings of your company increased to $502,928 for 1969, an increase of 15.7% over the recorded earning for 1968. This has resulted in an earnings per common share of $1.12. As reported to you last year, the company arranged for a long term loan early in 1969, and this action, in addition to other policies, has resulted in a very satisfactory working capital level of $1,554,924.

VANCOUVER DEVELOPMENT

The confidence expressed by your Board of Directors in the expanding market which resulted in our development of the new plant in Vancouver, has been adequately substantiated by that subsidiary's contribution in 1969. This modern automated production facility has made rapid strides toward its designed capacity, and is already envied for its general position in terms of market share.

PROGRAM OF EXPANSION

We are presently excited about our entrance into new marketing fields, expanding store facilities in Eastern Canada and entering the Province of Manitoba for the first time. Typically, we are directing our best efforts to the research of appealing products in the decorating field. A modern warehouse has been added to our present plant to accommodate the ever increasing demand from our image retail centres for new and vibrant products for the home improvement trend. Consequently, we are also engaged in adapting and developing modern sales and advertising techniques employed by the most successful retail sales merchandisers.

Now we are entering a new decade, and we would emphasize our sincere belief in the continuing stature of your company, and the attractive position it now holds, and will continue to hold within our industry. We are encouraged to maintain our programme of planned expansion and to give careful consideration to potential new approaches in furthering our activities.

SUMMARY

In summary, we would like to extend our gratitude to each of the thousands of Canadians who have contributed to our unique success story, and also to our Shareholders for their continued confidence and support.

On behalf of the Board of Directors:

D. R. STRONGMAN,
President.

B. F. STRONGMAN,
Secretary-Treasurer.

April 1, 1970

COMPARISON % INCREASE

TONECRAFT SALES AND CANADIAN TRADE SALES FOR THE DECADE 1959 TO 1969.

Year	Tonecraft	Canadian Trade Sales	Year	Tonecraft	Canadian Trade Sales
1960	10.0%	4.1%	1965	6.5%	-3.6
1961	18.7%	-2.8	1966	8.64	6.44
1962	6.9	4.5	1967	38.6	4.19
1963	34.5	4.3	1968	15.54	5.58
1964	21.4	10.5	1969	15.7	-2.38

figures approximate

TONECRAFT PAINTS LIMITED
and subsidiary companies

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968)

	1969	1968
Sales	$ 9,512,648	$ 7,495,025
Cost of goods sold	5,149,250	4,004,290
Gross profit	4,363,398	3,490,735
Operating expenses other than interest on mortgages	3,240,655	2,587,744
Interest on mortgages	66,583	14,352
	3,307,238	2,602,096
Income before income taxes	1,056,160	888,639
Income taxes	553,232	454,121
Net Income for the year	$ 502,928	$ 434,518

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968)

	1969	1968
Balance at beginning of year	$ 2,186,560	$ 1,839,518
Net income for the year	502,928	434,518
	2,689,488	2,274,036
Dividends on		
Preference shares	2,588	6,793
Common shares	88,790	80,683
	91,378	87,476
Balance at end of year	$ 2,598,110	$ 2,186,560

TONECRAFT PAINTS LIMITED
and subsidiary companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968)

Source of funds	1969	1968
Operations		
Net income for the year	502,928	434,518
Add items not involving a current outlay of funds:		
Depreciation	109,624	72,003
Deferred income taxes	36,006	9,824
Patent license written off		10,017
Incorporation expenses written off		1,384
	648,558	527,746
Issue of Series B preference shares		300,000
Issue of common shares in settlement of promissory note	299,000	
Mortgage proceeds	980,200	240,000
Term bank loan less current portion	650,000	
Working capital of subsidiaries acquired		141,300
Sale of fixed assets	55,035	55,210
Special refundable tax	9,604	3,762
	2,642,397	1,268,018
Application of funds		
Additions to fixed assets	1,581,584	1,068,112
Acquisition of subsidiaries	5,438	590,000
Dividends on		
Preference shares	2,588	6,793
Common shares	88,790	80,683
Decrease in non-current portion of long-term debt	106,683	25,215
	1,785,083	1,770,803
Increase (decrease) in working capital	857,314	(502,785)
Working capital at beginning of year	697,610	1,200,395
Working capital at end of year	$1,554,924	$ 697,610

TONECRAFT

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CONSOLIDATE

DECE
(with comparative

ASSETS

CURRENT ASSETS	1969	1968
Cash	$ 55,447	$ 135,406
Accounts receivable	914,059	781,810
Inventories (note 2)	2,086,091	1,664,268
Prepaid expenses	48,158	38,437
	3,103,755	2,619,921
FIXED ASSETS (note 3)		
Land, buildings and equipment, at cost	3,611,774	2,085,225
Less accumulated depreciation	562,732	453,108
	3,049,042	1,632,117
OTHER ASSETS		
Excess of cost of shares over book value at dates of acquiring shares of subsidiaries	531,899	526,461
Goodwill, at cost	141,772	141,772
Special refundable tax	1,810	11,414
	675,481	679,647
	$ 6,828,278	$ 4,931,685

Approved by the Board

B. F. STRONGMAN, Director

W. M. STRONGMAN, Director

PAINTS LIMITED

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ary companies

D BALANCE SHEET

R 31, 1969
es at December 31, 1968)

LIABILITIES

CURRENT LIABILITIES	1969	1968
Bank advances, secured by assignment of book debts	$ 985,804	$1,132,959
Account payable and accrued liabilities	371,072	345,904
Note payable, maturing January 1969 (note 4)		299,000
Income and other taxes payable	88,735	138,993
Principal due within one year on mortgages payable	103,220	5,455
	1,548,831	1,922,311
TERM BANK LOAN (note 5)	700,000	
Less principal included in current liabilities	50,000	
	650,000	
MORTGAGES PAYABLE (note 6)	1,233,697	262,415
Less principal included in current liabilities	103,220	5,455
	1,130,477	256,960
DEFERRED INCOME TAXES (note 7)	45,830	9,824

SHAREHOLDERS' EQUITY

CAPITAL STOCK (notes 4 and 8)		
Authorized		
10,760 (76,710 in 1968) 4% preference shares convertible, issuable in series and redeemable at par value of $5 each		
500,000 Common shares without par value		
Issued		
10,760 Series A preference shares (16,710 shares in 1968)	53,800	83,550
Nil Series B preference shares (60,000 shares in 1968)		300,000
446,264 Common shares (412,814 shares in 1968)	801,230	172,480
	855,030	556,030
RETAINED EARNINGS	2,598,110	2,186,560
	3,453,140	2,742,590
	$6,828,278	$4,931,685

TONECRAFT PAINTS LIMITED
and subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 1969

1. BASIS OF CONSOLIDATION

The subsidiaries are
Geo. C. Henderson Limited a wholly-owned subsidiary, and its wholly-owned subsidiary Tonecraft Paints (B.C.) Limited, and Golden Crown Sales Ltd. a wholly-owned subsidiary.

2. INVENTORIES

	1969	1968
Raw materials	$ 210,254	$ 182,171
Tonecraft Products	1,285,934	999,571
Colorants	45,395	33,675
Miscellaneous merchandise	544,508	448,851
	$2,086,091	$1,664,268

The above are valued at lower of cost and replacement cost.

3. FIXED ASSETS

	1969			1968
	Cost	Accumulated Depreciation	Net	Net
Land	$1,164,652		$1,164,652	$ 633,981
Paving	7,936	$ 1,693	6,243	6,491
Buildings under construction	88,074		88,074	269,636
Buildings	1,342,519	50,157	1,292,362	381,166
Storage tanks	15,822	6,369	9,453	3,585
Machinery and equipment	796,867	401,002	395,865	275,073
Automative equipment	59,073	39,843	19,230	14,988
Leasehold improvements	136,831	63,668	73,163	47,197
	$3,611,774	$562,732	$3,049,042	$1,632,117

The company and subsidiaries take depreciation on the above fixed assets at the maximum rates allowed by the Income Tax Act, with the exception of buildings under construction and buildings and equipment not in full operation where depreciation was claimed for tax purposes but not recorded in the company's accounts.

The estimated cost to complete buildings under construction is $181,000.

4. NOTE PAYABLE

During 1969 14,950 common shares were issued in settlement of the promissory note.

Notes to Consolidated Financial Statements (continued)

5. TERM BANK LOAN

The term bank loan which is payable on demand was negotiated in March 1969. Arrangements were made whereby the loan is payable over seven years at the rate of $50,000 in each of the first two years and the balance of $600,000 in equal annual instalments over the last five years.

6. MORTGAGES PAYABLE

	1969	1968
10½% due November 4, 1974	49,936	
9½% due June 15, 1974	79,327	
8% due November 1, 1987	23,781	24,370
9¼% due July 15, 1973	82,704	84,355
8¼% due August 31, 1978	47,042	48,088
8¼% due August 31, 1978	45,102	46,105
8¼% due August 31, 1978	58,215	59,497
9½% due April 15, 1974	98,820	
9% due June 15, 1974	154,156	
9% due February 28, 1971	40,000	
9% due April 3, 1970	80,000	
9½% due November 15, 1974	74,892	
11% due December 19, 1974	110,000	
9¼% due July 15, 1974	277,452	
7% due April 1, 1974	12,270	
	$1,233,697	$262,415

7. INCOME TAXES

This year, for income tax purposes, Tonecraft Paints Limited and Tonecraft Paints (B.C.) Limited have claimed capital cost allowance in excess of depreciation recorded in the accounts with the result that income taxes payable for the year have been reduced by $36,006. This reduction is included in "deferred income taxes" in the accompanying balance sheet, to be taken into earnings of future years when capital cost allowances for income tax purposes may be less than the depreciation recorded in the accounts.

8. CAPITAL STOCK

On November 19, 1968 supplementary letters patent were granted which provide that the second series of preference shares consist of 60,000 4% Series B convertible, cumulative preference shares redeemable at par value of $5 each.

Preference shares are convertible as follows:

8½ series A to 5 common shares
4 series B to 1 common share

During the year 3,500 common shares were issued pursuant to the conversion of 5,950 series A preference shares, and 15,000 common shares were issued pursuant to the conversion of 60,000 series B preference shares

(continued)

Notes to Consolidated Financial Statements (continued)

9. SUBSEQUENT EVENTS

Effective January 2, 1970, Tonecraft Paints Limited purchased the building which it had been renting at 10 Carson Street, Toronto. This building was purchased for its appraised value of $763,674 from W.A. Strongman and Sons Limited. Payment was made by the sale of two properties to W.A. Strongman and Sons Limited and the issue to that company of 19,140 common shares of Tonecraft Paints Limited at $22 per share. The terms of purchase and sales were approved at a special shareholders meeting held December 19,1969.

10. OTHER STATUTORY INFORMATION

	1969	1968
Depreciation	$109,624	$ 72,003
Remuneration of directors and senior officers	116,286	102,972

AUDITOR'S REPORT

To the Shareholders of
Tonecraft Paints Limited

We have examined the consolidated balance sheet of Tonecraft Paints Limited and subsidiary companies as at December 31, 1969 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 9, 1970

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

TONECRAFT the Paintmakers

... WE'RE NOT JUST A PAINT STORE –
WE'RE DECORATING SUPERMARKETS











TONECRAFT PAINTS LIMITED

DIRECTORS

DIRECTORS

D. R. STRONGMAN
W. M. STRONGMAN
B. F. STRONGMAN
J. F. McCALLUM
W. G. REID

OFFICERS

D. R. STRONGMAN, President
W. M. STRONGMAN, Vice-President
B. F. STRONGMAN, Secretary-Treasurer

TRANSFER AGENT AND REGISTRAR

MONTREAL TRUST COMPANY

AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON

SOLICITORS

HARRIES, HOUSER, BROWN, & McCALLUM

BANK

CANADIAN IMPERIAL BANK OF COMMERCE

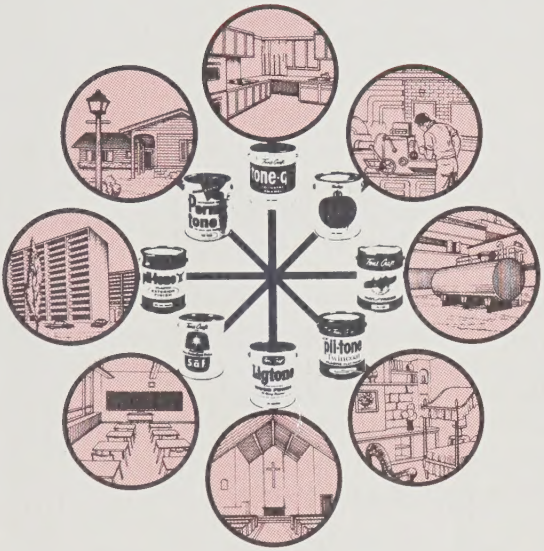
LISTING

TORONTO STOCK EXCHANGE

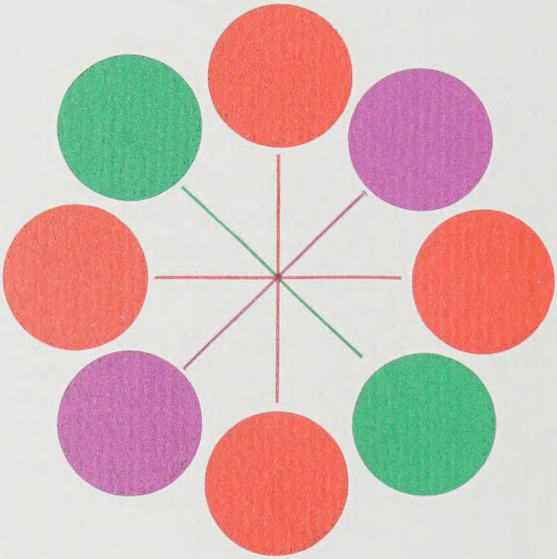
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TONECRAFT



TONECRAFT the Paintmakers



1969 Half Yearly Statement to Shareholders

Tonecraft Paints Ltd.

2-E-228

TONECRAFT PAINTS LTD.

1969 HALF-YEARLY REPORT

Your Directors have declared another dividend for the quarter ended June 30, 1969 of 5¢ a share on the capital stock of the Company, payable August 15, 1969 to shareholders of record August 1, 1969.

Sales for the first half of 1969 of $4,596,165 compare with sales of $3,377,187 for the first half of 1968 and reflect an increase of $1,218,979 or 36.1%. Net earnings after income taxes for 1969 were $318,359 compared with $264,793 in 1968, showing an increase of $53,566 or 20.2%. The above earnings per share are equal to 71.6¢ against 66.2¢ for the same period last year.

Your Directors are pleased to report the opening of another two paint supermarkets in this second quarter, which along with the four in the first quarter, now gives us a total of 47 stores.

Now that most of the construction strikes have been settled, we are looking forward to an excellent third quarter, both in sales and profit.

August 1, 1969
Div. No. 16

B.F. STRONGMAN, Secretary-Treasurer

TONECRAFT PAINTS LTD.

Tonecraft Paints Ltd. and Subsidiary

STATEMENT OF PROFIT AND LOSS

CONSOLIDATED STATEMENT
For the six months ended June 30, 1969.

	1969	1968
Sales	$ 4,596,165	$ 3,377,186
Cost of Goods Sold	2,422,397	1,858,922
Gross Profit on Sales	2,173,768	1,518,264
Operating Expenses	1,399,378	907,723
Profit from Operations before undernoted expenses	774,390	610,541
Provision for Depreciation	38,669	21,693
Remuneration of Directors and Senior Officials	63,620.	47,769
	102,289	69,462
Net Operating Profit	672,101	541,079
Provision for Taxes	353,742	276,286
Net Profit for Period	318,359	264,793
Earnings per share	71.6¢	66.2¢

Sales Increase to Date – $ 1,218,979 – 36.1%

The 1969 figures are unaudited and subject to year-end adjustments.

Tonecraft Paints Ltd. and Subsidiary

COMPARATIVE STATEMENT OF

SOURCE AND APPLICATION OF FUNDS

For the six months ended June 30, 1969.

	1969	1968
FUNDS PROVIDED		
Net income from operations	$ 318,359	$ 264,793
Add: Charges to operations not affecting working capital – Depreciation	38,669	21,693
	357,028	286,486
Redemption of Note Payable	299,000	
Mortgage advances (long term)	813,831	584,993
Reduction of "Other Assets"	2,915	
	1,472,774	871,479
FUNDS APPLIED		
Additions to fixed assets	971,202	404,720
Payment of dividends	44,967	43,555
Mortgage payments	3,015	3,061
	1,019,184	451,336
Increase in Working Capital	453,590	420,143
Working Capital at January 1	697,610	1,200,395
	1,151,200	1,620,538